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December 12, 2006

EX PARTE PRESENTATION

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Re: *Ex Parte* Presentation in CC Docket No. 96-45, WC Docket No. 05-337

Dear Ms. Dortch:

Attached is the report of a survey conducted by the Puerto Rico economics firm, Estudios Técnicos, Inc., entitled "Telephone Usage in Puerto Rico: A Survey of 1,620 Households." This independent survey of telephone service in Puerto Rico was commissioned by Puerto Rico Telephone Co., Inc. ("PRT"), in 2005. PRT did not control the survey or the written report. The report was submitted to the Puerto Rico Telecommunications Regulatory Board in support of PRT's proposed rebalancing of its rate structure.

This survey is useful in demonstrating that increases in residential wireline rates would not be inconsistent with public policy. However, it has limitations as a tool for measuring actual telephone penetration. First, the survey was based on a small sampling of 1,620 households in Puerto Rico concerning their telecommunications usage and what factors would affect their decisions to select certain telecommunications technologies or companies over others, not on the actual penetration figures of any company. Second, because of the nature of the survey questions, it is not possible to conclude whether respondents who indicated that they had no wireline phone and were making wireless calls were in fact making those calls from their homes or from other locations. Wireline pricing at someone's house can be constrained by the availability of wireless service outside the home, but that does not help answer the question of whether there is actual telephone service at a household location, the goal of universal service.

Other parties in the proceeding in which the study was submitted have strongly challenged the existence of competition in Puerto Rico and have argued that

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universal service has not been achieved in Puerto Rico. As such, it is likely that the study and its methodology would have been severely criticized if the proceeding had continued. Because the proceeding was terminated without action, these questions about the study's methodology and conclusions were never addressed or resolved by the Board. We do know that the Board has publicly stated its view that wireless services are not a substitute for wireline services in Puerto Rico and has not concluded whether wireless services obviate concerns about wireline service availability in achieving universal service goals.

While PRT presented the survey results in aid of its rebalancing proposal, PRT does not believe that the report or its comment that, "universal phone service is a virtual reality" means that the Communications Act's universal service goals have been achieved in Puerto Rico (page 1 of the Report). To date, regulators have not relied on wireless usage to evaluate whether existing universal service programs are meeting their statutory objectives. Instead, Congress, the FCC, and local regulators have focused on the availability of wireline services *per se*. As we have discussed with you, there is a strong need for wireline penetration rates in Puerto Rico to be increased to levels available to the rest of the country. Today, wireline penetration in Puerto Rico falls far below the lowest level of any state in the union. PRT believes that an insular mechanism is the only way in the interim to help improve wireline penetration on the island as required by Section 254 of the Communications Act.

If you have any further questions about this document or the state of universal service in Puerto Rico, please do not hesitate to contact me.

Sincerely,

/s/ Nancy J. Victory

Nancy J. Victory

Enclosure

cc: Jeremy Marcus
Vicki Robinson